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JPRS-JAR-84-009

16 May 1984

# Japan Report

19980304 124

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SPRINGFIELD, VA. 22161

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16 May 1984

## JAPAN REPORT

## CONTENTS

## POLITICAL AND SOCIOLOGICAL

Kanemaru's Moves in LDP To Select New Leader Noted (SENTAKU, Jan 84).....	1
Signs Point to Abe's LDP Leadership Bid (SENTAKU, Apr 84).....	7

## MILITARY

Briefs	
Military Contracts Announced	11

## ECONOMIC

Financial Liberalization Plan Disclosure (KYODO, 20 Apr 84).....	12
Embassy Officer in Thailand Discusses Trade Policy (Taizo Watanabe Interview; SU ANAKHOT, 18-24 Mar 84)..	14
Public Sector Unions Seek Advice on Wage Bids (KYODO, 20 Apr 84).....	23
Briefs	
Yen Credit to India	24
Fishery Talks With USSR	24
PRC Aluminum Technology Aid	24
Plant Without Manpower	25

## POLITICAL AND SOCIOLOGICAL

### KANEMARU'S MOVES IN LDP TO SELECT NEW LEADER NOTED

Tokyo SENTAKU in Japanese Jan 84 pp 44-47

[Text] The end of one era and the beginning of another is often accompanied by inextricable chaos, because it is impossible to build a new order without destroying the old order to some extent.

One good example is the change from the feudal system of the Tokugawa shogunate to the Meiji Restoration. In that event, there had to be someone who would undertake a "Herculean labor" of turning the stage and prompting the change of times. To bring about the Meiji Restoration, it was Ryuma Sakamoto who played this role by achieving an alliance between the Satsuma and Choshu fiefs.

Politics is no exception. With the coming election of the president of the Liberal Democratic Party next November, the political world is already being shaken over whether to reelect Prime Minister Nakasone or to enter the era of new leaders at one stroke. It is probably because of this delicate sense of change felt both in the political world and elsewhere that Shin Kanemaru draws attention. Can Kanemaru in fact become the "Ryuma of Nagato-cho"?

### Coup d'Etat Plan Remained an Illusion

On about 21 November 1983, just before the 37th general election, Shin Kanemaru held a secret meeting with Noboru Takeshita and Shintaro Abe. And earlier, on 11 November, Kanemaru also had a private meeting with Kiichi Miyazawa, who are all aiming at the post-Nakasone position.

It is not entirely clear what transpired among the three. What is clear is: (1) At the Kanemaru-Miyazawa meeting, Kanemaru complained to Miyazawa: "If you are aiming at the position of prime minister-LDP president, you should be associating not only with bureaucrats and scholars, but you should be fostering more sympathizers among the Diet members." They also agreed to meet from time to time. (2) At the Kanemasu meeting with Takeshita and Abe, the three agreed that whoever became prime minister-LDP president after Nakasone, he would put an end to the struggle caused by the grudge between Tanaka and Fukuda.

Kanemaru is precisely the person who persuaded the unwilling Nakasone to hold "the 18 December general election." Furthermore, it is rumored that his motive in persuading Nakasone to do this was to overthrow the Nakasone administration. In the midst of all this, the news of a bridge meeting by the new leaders is spreading through Nagata-cho, intermixed with moves concerning post general election politics and next November's LDP president election.

Based on sources close to the new leaders, Kanemaru's meeting with Takeshita and Abe does not seem to have been an easy one, unlike the one with Miyashita. At that meeting it is reported that they drew up the following blueprint:

- (1) If the result of the general election were to be judged unfavorable to the LDP, they would launch a campaign for a change to the new generation.
- (2) Depending upon the result of the election, they would try to put out of commission both Tanaka and Fukuda, who have been fighting against each other in a grudge battle.
- (3) Kanemaru would lay the groundwork for that, and Takeshita and Abe would not quarrel with each other.

In addition to this blueprint, the "secret plan" is that, depending on the situation, Prime Minister Nakasone would be forced to retire and a new political power structure centered around the new leaders would be established.

In fact, however, there was no eruption of new-generation politics, and in spite of the fact that the LDP unexpectedly suffered a crushing defeat, losing 36 seats, "general uprising" remained an illusion. This was because the election forecasts by the news media and others had predicted that the LDP would win enough seats to maintain stable power, and also, in analyzing the postelection situation, it was considered too early for the new leaders to raise the battle cry.

The news of the secret talks of the new leaders headed by Kanemaru reached Tanaka, of course. It is reported that Tanaka was furious and that he exclaimed: "Are they going to double-cross me?" Within the Tanaka faction and the LDP, there were some party members, prompted by the election losses, who were highly critical, with such remarks as "Nikaido and Kanemaru are first-class war criminals." (Kunikichi Saito) Nevertheless, Kanemaru himself was not at all concerned about such comments. He responded lightly: "Prime Minister Nakasone wanted to get all the bills through the Diet. There was no way except to dissolve the Diet. If there had been no dissolution of the Diet and thus no legislation got through, the Nakasone cabinet would have had to resign immediately."

Although the positions of the two men may account for the difference, Kanemaru is quite different from Nikaido, who hinted at the resignation of the LDP general secretary when he said: "I strongly feel my responsibility for the defeat." There is no question that Kanemaru has a lot of nerve.

Although it was "an illusionary coup d'etat," the contents of Kanemasu's secret talks with Takeshita and Abe provided an outline of Kanemaru's political picture in the near future. The main point is to put an end to the "Miki-Tanaka-Ohira-Fukuda-Nakasone" period, which has been characterized by continuous feuds and grudges, and then let the new leaders assume power and manage the party cooperatively.

"We should proceed in such a way that if Abe becomes prime minister, then Takeshita will be secretary general; and if Takeshita becomes prime minister, then Abe will be secretary general. We should recall Korekiyo Takahashi, who after being prime minister, accepted the call for help in reconstructing the national economy and became finance minister. He aroused the wrath of the Army and was killed in the 26 February incident. One who wants to work for the country should have that kind of spirit. Otherwise it won't work." Kanemaru, in spite of the fact that he belongs to the Tanaka faction, declared openly: "My political master is Mr Hori (the laste former speaker of the house of Representative), not Mr Tanaka." Mr Hori, totally disgusted with the Tanaka-Fukuda feud in his later years, tried in vain to play a role in changing the scene for the new leaders.

It is safe to say that such an image of Hori made a deep impression on Kanemaru. According to Abe, at the meeting Kanemaru stated: "I will take all the mud." Most likely Kanemaru is trying to realize the dream that Hori wanted to bring about but could not.

#### Meeting Between Kanemaru and Miyazawa for the First Time

Let us now examine the strategy and program Kanemaru is aiming at in the era of new leaders.

(1) The first step is to prompt the change to the younger generation in each faction. He will prompt the change of bosses from Tanaka to Takeshita for the Tanaka faction, and from Fukuda to Abe for the Fukuda faction. In the case of Miyazawa, there is no problem since he has already been promoted to acting chief of the Suzuki faction, which means he has been recognized as the successor to Suzuki.

(2) At the same time, he will try to have the Nakasone regime remain for only one term, if possible, and even if Nakasone is reelected for a second term next November, he will try to see that Nakasone receives only short-term support and then is forced out.

(3) Thereupon, Kanemaru himself will assume the position of coordinator between Miyazawa, Takeshita and Abe and will act as midwife for the birth of the new political power.

Briefly stated, that may be the design. Takeshita and Abe will not basically have any objection to this program, but the point is Miyazawa's reaction.

Miyazawa and Kanemaru have had hardly any political dealings. "I am not a new leader," says Miyazawa. From such a statement one can sense his

confidence in being a post-Nakasone winner. Miyazawa's path has only been sunny since he entered politics. The bottleneck is his lack of experience in party affairs and the existence of Kakuei Tanaka, whose dislike of Miyazawa is well known.

On the other hand, Kanemaru is one of the leaders of the Tanaka faction and an old hand in Diet management. He may not be on the best terms with Tanaka, but he has undeniable power within the Tanaka faction.

The background for these two men to meet alone for the first time, most likely, was that there was the possibility of reaching tactical agreement and that both foresaw that as a result of their differences in character, they could complement each other in the future.

Furthermore, for Miyazawa, who will never get close to gaining political power as long as Kakuei Tanaka maintains control over the LDP, it is a necessary strategy to approach the Kanemaru-Takeshita group which is gaining power within the Tanaka faction. Concerning the meeting with Miyazawa, Kanemaru was careful to inform Tanaka in advance about the meeting. It is not known to what extent Tanaka was able to foresee the repercussions of that meeting.

In the final analysis, the greatest obstacle to making Kanemaru's blueprint complete seems to be his relationship with Kakuei Tanaka. As was mentioned, the change in leadership of the Kochikai group to Miyazawa from Suzuki has already been settled. In the case of Abe, his relationship with Fukuda, his chief, does not seem to be as bad as reported previously.

No matter how much Fukuda claims to be "Fukuda, the International Statesman," or "Mr One and Only Adviser," there is no denying that his power has diminished pitifully. The reason Fukuda has not yet handed over the reins to Abe is basically quite different from the case of the Tanaka-Takeshita relationship. Fukuda himself told his followers that he "will continue at least 2 more years." To put it another way, he means he will hand the reins to Abe as soon as Abe's career and experience warrant his becoming chief of the Fukuda faction. It would be reasonable to construe Fukuda's words as an expression of his paternal concern.

#### War or Peace for Tanaka

In contrast, the Tanaka-Takeshita relationship has worsened since Tanaka's "guilty verdict" of 1983. Takeshita did not try to visit the distressed Tanaka to comfort him. Instead, during the election he worked hard to help the Tanaka faction's middle-level new young members, who outwardly appeared to move away from Tanaka.

It is widely considered that the reason the Tanaka faction lost only two seats while other factions suffered a great deal is because Takeshita and Kanemaru worked hard. On the other hand, Tanaka who, received an overwhelming 220,000 votes, did not show any signs of self-examination, and to those losing candidates who were grieving personally, Tanaka declared: "They did not work hard enough."

It is natural that the more the Tanaka faction members move toward Nikaido, Kanemaru and Takeshita, the more the relationship between Tanaka and Takeshita will be constrained. In this situation, if Takeshita is formally recognized as the successor to Tanaka, the move away from Tanaka within the Tanaka faction and the LDP will inevitably be rapidly accelerated. Probably Tanaka will use all his strength to block Takeshita's path to the LDP presidency. At that juncture, will Kanemaru choose war or peace?

Let us go back 3 and a half years. The LDP won an overwhelming victory in the double election of June 1980, at the cost of the death of Masayoshi Ohira (former prime minister at that time).

At that time Kakuei Tanaka was considering Nakasone as the successor. Kanemaru went to see Tanaka and forcefully told him that if Tanaka was going to support Nakasone, he would leave the Tanaka faction even if no one else followed suit. Tanaka did change his mind; saying that it was "not yet Nakasone's time." And it was Zenko Suzuki who became LDP president.

Kanemaru's aim at that time was to establish a Kawamoto regime, which had the support of the new leaders. However, not only did his design collapse, but Kanemaru himself was marred by being labeled a "traitor" by Tanaka.

Since that time, Kanemaru, having consulted with Takeshita and others, realized the necessity for correcting his strategy. Realizing that the time was not right to shelve Tanaka, he changed his plan, and swearing loyalty to Tanaka, decided to wait and see if Tanaka might abdicated.

However, Kanemaru knew better than to hope that such a sweet expectation would be realized in politics. "To the end, Tanaka will not tell Takeshita that it is his turn. Even though Takeshita is taking it easy, saying that he will only be 65 even if he has to wait for 6 more years, he is certainly not 'Oshin' of the NHK" [Oshin is a character in an NHK television program who is the incarnation of patience], said Kanemaru with an air of exasperation.

For Kanemaru, the most important moment will come in the November election of the LDP president. Can he overcome his complicated relations with his chief, Tanaka and manage the faction's internal affairs so as to design a course to obtain enough support for Takeshita?

The course Tanaka and Nikaido will take will be to seek Nakasone's "reelection." Zenko Suzuki shows he is ready to support Miyazawa, but it is not clear whether he really wants to block Nakasone's reelection. In this situation, Fukuda stated the following:

"Miyazawa will be good for the post-Nakasone position. It should not go to Takeshita right away. I think it would be better if we put up some one else to succeed Nakasone before Takeshita or Abe comes to power."

Nidaido, who is considered a strong candidate for a caretaker regime in case the post-Nakasone fight becomes entangled, said:



"My time is long past. We have to bring forth the era of new leaders quickly. It should come in such a way that there will be mutual cooperation between Takeshita and Abe. As for Miyazawa, he needs to get involved in party affairs and add a layer of experience."

Nidaido's statement may reflect a strong coloration of lip-service to the new leaders. However, even though he is promoting Nakasone's reelection, his attitude is slightly different from that of Kakuei Tanaka in that he is fully aware of the fact that a new era is already on the doorstep.

When the time comes for Kanemaru to draw the curtain on the old regime, the top runner he will choose will be nobody but Miyazawa. Miyazawa has established a good reputation for administrative skills. Putting aside Kakuei Tanaka, he will not have much resistance from either the main or other factions. He will be able to gain a party consensus if he can overcome the obstacle between Tanaka and himself. The party affairs will be taken care of by having Takeshita or Abe assigned to proper positions, and Miyazawa will have an environment in which he can concentrate on government affairs. That is Kanemaru's calculation.

It is probable that Takeshita and Abe gave tacit agreement to the idea that Miyazawa will be the top runner of the coming era. In this strategy, we see a sound and shrewd tactic worked out to get rid of resistance from the old generation by having Miyazawa as the banner of the new generation.

#### Why Miyazawa Is on Top

Conversely, what will happen if Takeshita is the top runner? It is not difficult to imagine that Tanaka and others together will undoubtedly try to crush him. The idea is that Miyazawa, who is least objectionable to the old generation, will make headway against an adverse wind in establishing a new order, and when the era of new leaders is finally stabilized, a "coalition regime" of Takeshita-Abe will take over and hold power for a long time. Even though there is no proof, Kanemaru, with his political maturity and skills, must have considered all these angles thoroughly. The conclusion reached by some LDP members is that there was such a motivation in the background when Kanemaru first thought of having a meeting with Miyazawa.

The defeat in the last general election unexpectedly resulted in prompting a change of generations. Criticism of Kakuei Tanaka within the Tanaka faction is now becoming severe. "If he still insists on coming to the fore, we, the Tanaka faction, should declare a complete break with Tanaka himself." (one of the leading faction representatives) "He did get 220,000 votes, but this was merely a measure of support from the third district of Niigata Prefecture." (a representative cabinet member) Such words were uttered quite openly.

A resolution to remove Tanaka control was passed at a conference of the LDP Supreme Councils, but it was basically no more than "a spiritual stipulation." Nevertheless, it must have damaged Tanaka to some extent.

The waves of the changing generations are rising as Tanaka's image is eclipsed. This very current of the times will be a source of strength for Kanemaru, who wants to be the Ryuma Sakamoto of today's politics.

12285

CSO: 4106/123

## POLITICAL AND SOCIOLOGICAL

### SIGNS POINT TO ABE'S LDP LEADERSHIP BID

Tokyo SENTAKU in Japanese Apr 84 pp 40-41

[Article: "Shintaro Abe, Too, May Be Making Move for 'The Fall'"]

[Text] With the completion of drafting the FY 1984 budget, the various factions of the Liberal Democratic Party [LDP] are beginning to concentrate on selecting the party president this fall.

In tune with its effort to reelect Nakasone, Chairman Sakurauchi stated at the Nakasone faction's general meeting: "Although there are several proposals pending such as the abolition of the primary elections and settlements through dialogues, the foremost thought in the minds of all should be that a presidential election is coming up and that cross-liasons to deepen relations with other factions be established. With such "go" signs, it is trying to get the jump on establishing a majority.

The Tanaka faction, exercising cautious self-respect, held an infomal social get-together on 30 March, at which it was decided that early in September it would conduct an apprentice training session for members of parliament, a first for this faction.

Kiichi Miyazawa, having decided to throw his hat in the ring, and refusing to let the incident of his encounter with the mugger ruffle him, has been selling the "new Miyazawa" to former Prime Minister Tanaka and other influential personages when they have called on him to enquire after his well-being.

"Didn't Miyazaki make his move too early?" asks Economic Planning Agency Chief Komoto, who is looking at his last chance to steal the political leadership. This statement further clarifies his "distancing himself from Nakasone" position.

### Fukuda Faction Hustling

Another candidate for party president, Foreign Minister Abe cannot be viewed as an outsider either.

"In the recent general election," said former Prime Minister Fukuda in addressing a gathering of a Fukuda faction new year general meeting on 19 January [1984] in which he was recommending Abe as successor to the presidency, "the party took an unexpectedly bad beating. In the current, very critical environment, both domestically and internationally, our faction, the 'purist faction,' has a very responsible role to play. Let's meet this problem head-on, with a new posture, with Abe as successor at the helm." The hustle exhibited by the Fukuda faction stood out noticeably during the Diet's deliberations referred to earlier.

The heavy hitters picked to cope with the questions of representatives in both houses and the "in" party representatives to the budget committee were Masayaki Fujio (chief, policy board), Taro Nakayama (LDP secretary general, upper house), Hiroshi Mizuka, and Masanori Tanaka, all members of the Fukuda faction.

Although it was only a coincidence stemming from duties performed in the party, all responses to the questions pertaining to the budget were the same, notable, however, was Fujio's political posture to "oust Tanaka" and to the "proposal of the ad hoc commission on education." And such criticisms were not the exception; all questions were responded to curtly, in an exhibition of an unusual intraparty question and answer session. The leadership within the faction to draft the FY 1984 budget was seized by Chairman Fujio of policy research council, Deputy Chairman Mitsuka of the policy research council, and Chairman Kato of the tax research council, a trio from the Fukuda faction. They bought themselves some prominence by ordering a delay in the nuclear powered ship "Mutsu" proceedings. While the older Fukuda faction members of the Diet, directly under Fukuda, were being unseated one after another in last year's general election, rookies of the Abe contingent were being elected. These incidents were indicative of the fact that a smooth power succession was taking place within the Fukuda-Abe faction.

From the viewpoint of its relations with other factions, it appears that Abe is being favorably invested for the next term. His bibliography, which includes minister of agriculture, chief of the secretariat, chairman of the policy research council, minister of international trade and industry, twice foreign minister, is second to the qualifications of no other candidate for party president. "Abe-boy is a real thoroughbred in the political arena," says Acting Administrative Chief Watanabe who is listed as one of the new leaders. "His real father is a former member of the Diet; his trainer-father was a former prime minister (Kishi); his stablemaster and teacher is also a former prime minister (Fukuda). No one else could be blessed with such an environment."

It is a fact that Abe's character reflects his upbringing to the point that he has no enemy within the party. Even Tanaka (Kakuei) who dislikes Komoto and Miyazawa said to a person in the financial world who is close to Abe that "in military terms, if the brilliant and resourceful Miyazawa were a company grade officer, Abe would be close to being of the general grade." It is reported that even some in the Nakasone circle have hinted

that "Abe is the next one." He is also close to the Takeshita-Kanemaru line which is the backbone of the Tanaka garrison. He has ties through Fukuda with Komoto and Miyazawa. It is no wonder, therefore, that words to the effect that "Abe is the real one in the post Nakasone period," can be heard says an official of the Fukuda faction.

Whether he can give life to actions beneficial for the party depends on the man's ability. To bring the political power base to within reaching distance can not be accomplished by charisma alone.

There are two basic strategies being worked up within Abe's camp to cope with this fall's political arena. One is based on Fukuda's idealistic "political reformation" which sets up the anti-Tanaka alliance of Fukuda-Miyazawa-Komoto. The other is to push the Abe-Takeshita alliance against the Tanaka garrison.

Although neither offers smooth sailing for the establishment of the "Abe administration," from the viewpoint of placing emphasis on faction power politics, the latter--"Anchiku [Abe-Takeshita] alliance"--has the upper hand in the Abe turf.

Abe and Takeshita both entered politics in the same year--1958; Takeshita celebrated his 60th birthday on 26 March [1984] and Abe will greet his on 29 April. The episode where the two swore to each other on the floor of the Diet when they both won seats at the same time, that "winning political supremacy is our goal" is well known. Even today they fully understand each other and have overcome any cynicism that faction politics may tend to breed.

Recently that same Takeshita said, in praise of his friend Abe, at a gathering at which Kishi was present: "Abe-boy's branches are styled better than mine." The statement which was taken as a [sportsmanlike] concession of a step in the presidential race, so affected a Fukuda Dietman that he raised a glass in toast to the "administration of Abe and Takeshita." Whether true or not, it is a fact that the "Anchiku [Abe-Takeshita] alliance" is beginning to permeate and displace the Kakufuka [Tanaka-Fukuda] struggle.

Before the "Anchiku alliance" can materialize, the matter of Takeshita's stating that he would throw off the black general's shackles and stand on his own has to be resolved. The internal situation in the Tanaka garrison with the presidential election coming up this fall is very complex. The reason for Tokusaburo Kosaka audaciously reconvening the super faction's "Group of 80" was seen as a Tanaka trick to have Kosaka throw a monkey wrench into Takeshita's threatened independent entrance into the ring.

From Takeshita's standpoint, there is a limit as to how long he can stay in Tanaka's shadow. Whether or not the "Anchiku alliance" is formed, it, together with the matter of the reestablishment of the Tanaka garrison, should have a decisive effect on this fall's party presidential race.

## Anti-"Tanakasone Alliance"

As a harbinger of the movement of the Tanaka garrison, the matter of the appointment of former Secretary General Nikaido to party vice president cannot be overlooked because it will become the political focal point after disposal of the budget matter. Kakuei Tanaka and those directly supportive of him are pressing strongly for "Nikaido for vice president." This is allegedly being used as a means of repressing Prime Minister Nakasone, on the one hand, and simultaneously, of keeping "Takeshita boxed in" within the party.

Abe has displayed strong concern regarding the Nikaido for vice president problem. "If unilateral action is taken without any regard for the president's statement," he warned in unusually harsh terms, just prior to Prime Minister Nakasone's China visit, "there will be violent (political) repercussions." In this warning, he went so far as to say: "Undoubtedly, former Prime Minister Fukuda, Chief Komoto of the Economic Planning Agency, and Minister of Home Affairs Tagawa are of the same mind."

As a matter of fact, it is said that the consensus of Fukuda, Komoto, and Tagawa is to force cabinet resignations and other strong measures should the prime minister force the "Nikaido for vice president" issue. Although not unusual and with Abe's understanding, Tagawa, although in the cabinet, has unofficially called on the Socialist, Komei, and LDP parties to re-propose the request for Diet member Tanaka's resignation.

Depending on how strong that movement turns out to be, Abe may find himself leading the anti-Tanakasone [Tanaka-Nakasone] alliance whether he likes it or not. It will be interesting to see how Miyazawa, who is considered to be the Nakasone administration's "countering horse," will react in that event. Additionally, it will be interesting to see whether Takeshita decides to join Abe should the Tanaka garrison surrender. There is no room for making firm speculations in any of those areas.

However, one thing is certain: In the party presidential race, Abe is sure to be at the center of at least one whirlwind. Whether Abe can assume the front runner's spot in the post-Nakasone era may be decided at an unexpectedly early date.

8358

CSO: 4105/204

## MILITARY

### BRIEFS

MILITARY CONTRACTS ANNOUNCED--Tokyo, 6 April, KYODO--Mitsubishi Heavy Industries retained its top position in the amount of military contracts received from the Defense Agency during fiscal 1983 ending in March this year, it was announced Thursday. The Defense Agency said that total contracts during the 12-month financial year amounted to 1,111.3 billion yen (\$4.9 billion). Of the total amount, Mitsubishi was awarded with 205.9 billion yen (\$915.1 million) to hold its No 1 position among Japanese corporate firms winning military procurement during the year. NEC Corporation, a noted Japanese computer and electronics equipment firm, jumped from sixth to second in the volume of contracts it won from the Defense Agency during 1983, with 124.5 billion yen. Other firms which received large contracts included Kawasaki Heavy Industries and Ishikawajima-Harima Heavy Industries. [Text] [OW060557 Tokyo KYODO in English 0512 GMT 6 Apr 84]

CSO: 4100/106

## ECONOMIC

### FINANCIAL LIBERALIZATION PLAN DISCLOSURE

OW201041 Tokyo KYODO in English 1031 GMT 20 Apr 84

[Text] Tokyo, April 20, KYODO--Japan will shortly announce a basic plan for its financial liberalization with major emphasis on measures to further "internationalize" the yen and open up its capital and financial markets, Finance Ministry officials said Friday.

Details of the "outlook for financial liberalization" are not immediately available, but the officials said it would incorporate the main points of recommendations made a year ago by the Financial System Research Council, an advisory body to the finance minister, and the results of the Japan-U.S. financial experts' meeting in Washington earlier this week.

At the Washington meeting last Monday and Tuesday, Japan agreed to take several steps to promote a wider use of the yen in international financial deals and allow greater foreign access to Japan's capital and financial markets.

The officials indicated the "outlook," which would provide a long-term basis for implementing Japan's financial liberalization measures, consists of five main pillars--liberalization of interest rates, expansion of the capital market, internationalization of the yen, stepped up intermingling of various financial sectors, and maintenance of trust order.

In the outlook, the ministry will declare its basic policy of liberalizing interest rates "on a step-by-step basis" starting with large, short-term bank deposits and introduction of floating-rate, high-yield deposits like money market certificates (MMCs).

It will also set a uniform ceiling on interest rates of time deposits with a maturity of not more than six months and reduce the minimum denomination of negotiable certificates of deposit (CDs) from the present 300 million yen (1.33 million dollars) to 100 million yen (0.44 million dollars), they hinted.

The blueprint would also refer to the ministry's willingness to create a yen-denominated banker's acceptance (BA) market, a measure designed to step up the use of the yen in international commerce, and a treasury bond (TB) market to promote short-term financial markets, they said.

As to the yen's internationalization, it will note that it has taken steps to allow Japanese and foreign corporations to issue Euroyen bonds and Japanese banks to issue yen-denominated CDs in the Euromarkets--considered a major step toward liberalizing the Japanese market.

However, Japan will continue to ban Euroyen loans with periods of more than a year by Japanese corporations "to prevent disruption of the domestic financial market," ministry officials said.

The ministry plans to conduct a comprehensive review of Japan's compartmentalized financial system, including separation of work between banks and trust banks, in response to U.S. calls for allowing foreign banks to do trust business in Japan jointly with Japanese securities houses.

In this connection, it will permit banks and securities companies to enter into each other's sphere, though in a limited way, including the domestic sale of foreign CDs and commercial papers (CPs), already permitted from April 1, and the transaction of national bonds on the secondary market by selected Japanese and American banks.

The ministry will also improve the mechanisms to maintain trust in the financial system, including a banking surveillance system, a deposit insurance system and a disclosure system which will oblige commercial banks to disclose more financial data to both the public and investors to protect their interests, officials said.

CSO: 4100/116



## ECONOMIC

### EMBASSY OFFICER IN THAILAND DISCUSSES TRADE POLICY

Bangkok SU ANAKHOT in Thai 18-24 Mar 84 pp 33-37

[Interview with Mr Taizo Watanabe, minister attached to the Japanese ministry, by Alongkon Phonlabut on 24 February 1984 at the Japanese embassy in Bangkok, Thailand]

[Text] Mr Taizo Watanabe arrived to take up his position as minister attached to the Japanese ministry in Bangkok in March 1983. He has been a professional diplomat for more than 25 years. Before taking up his post in Thailand, he served as the deputy director-general of the Information Department in the Japanese Ministry of Foreign Affairs. He held that position for 4 years. He also served in important capital cities such as Washington in the United States, London, England, and Nairobi, Kenya. He is married and has four daughters. SU ANAKHOT interviewed Mr Taizo Watanabe on Friday, 24 February, at the Japanese embassy.

Mr Watanabe: I would first like to say that I am in the process of collecting data on cooperation between Japan and Thailand and general relations between the two countries. I am not really surprised that few public relations activities are carried on in order to try to improve mutual understanding. For example, during the past 10 years, approximately 6,000 Thais have been invited to visit Japan as guests of the Japanese government. Actually, that is more than I would have thought and probably more than you thought, too. I wanted to bring this to your attention first because we will soon make a statement to the mass media concerning a visitation project in accord with [Prime Minister] Nakasone's policy on exchanging youths for the start of the 21st century.

SU ANAKHOT: I would like to ask about something you said, that is, mutual understanding. I think that our understanding of each other has improved continually. But in general, I think that Thais are worried about the balance of trade situation. But concerning cooperating with each other, I think things have improved continually. And public relations publications concerning economic cooperation and the help provided to

Thailand by Japan have increased greatly during the past 10 years since the time of Mr Tanaka. But changing the views of people in general is not an easy task.

Mr Watanabe: I would like to respond to what you have said. It's true that there are more mass media reports concerning the amount of help given to Thailand by Japan during the past 3-4 years. The mass media has given great attention to these reports. Concerning this increased aid as reported in these reports, this was a period in which promises were made. We are now entering the period of implementing things in accord with those promises. During the time of negotiations when agreements are reached, everyone sees only the good things. But when the time comes to implement things in accord with the agreements, there are many steps and technical difficulties in implementing things in accord with the treaties. Thus, various complaints may be voiced concerning the steps and technical problems. But I am confident that if the two sides get to know each other and if there is high-level cooperation, the complaints will gradually die down just as with the technical steps.

SU ANAKHOT: I would like to ask you about Japan's policy of providing aid to Thailand, particularly in the present period when we are experiencing economic difficulties.

Mr Watanabe: Preserving the peace and sustaining growth in third-world countries, particularly in countries located near Japan, is the most important thing since this will preserve the peace for Japan and sustain our growth, too. We feel that preserving peace and sustaining growth will help bring about peace and progress throughout the world. Japan wants to play a role in accord with its economic power, which is increasing. And Japan also wants to play a political role within the limits of the constitution. That is our intention. We will carry on activities continuously. Concerning specific policies toward Asia or Thailand in particular, it's true that more than one-third of our aid has been earmarked for the ASEAN countries. We believe that we have a duty to play a strong role to help foster peace and growth in this region. Our aid is given on the basis of humanitarian considerations. At the same time, we are trying to manage relations in an independent manner. In particular, concerning Thai-Japanese relations, we feel that Thailand is a front-line country that borders Kampuchea. Vietnam has stationed a large number of troops there, which violates the principles of international law. Our policy is to give the people of Kampuchea a chance to decide their own future by having Vietnam withdraw its forces from Kampuchea as rapidly as possible. This is the position taken by Japan in international political circles. But at the same time, we are greatly interested in the safety and security of Thailand. We feel that we have a duty to cooperate with Thailand in non-military matters.

SU ANAKHOT: Two years ago, Mr Ohira, the former Japanese prime minister, talked about a cooperative concept known as the Pacific Basin. Do you think that the Nakasone government will be able to make this concept a reality?

Mr Watanabe: At that time, Mr Ohira was calling attention to the fact that there was greater cooperation among the countries that have a coast on the Pacific Ocean, which includes Asian countries and the United States. Many countries expressed an interest in studying this matter further in order to formulate a clearer image for further action and to promote closer relations among these countries. This concept is a topic worth studying based on the principles of Mr Ohira. This is probably still in the mind of Mr Nakasone, too. Thus, concerning establishing a group to discuss this idea, we have to admit that there really is greater cooperation among the countries that lie along the Pacific Ocean. And this stems in part from our efforts. These efforts have been supported by Mr Nakasone. Thus, this depends on what priority you give to things, or on whether you feel that concepts or practical cooperation should come first. We don't have any doubts since Mr Nakasone supports closer cooperations among the countries that border the Pacific Basin.

SU ANAKHOT: A news source of mine [has said that] the Ministry of Foreign Affairs refuses to accept this idea, except for Mr Thanat Khoman, the former Thai deputy prime minister. The Ministry of Foreign Affairs once announced that we do not want to be a small fish in a big pond since that would reduce ASEAN's role. What is your view on this?

Mr Watanabe: I think that we can reach an understanding on this matter. The Japanese government has never pushed this idea or superimposed it on the idea of others. We have never done this. The thing is.... I would like to return to an old topic for a moment. Cooperation is increasing among the countries in this region. For example, the United States now has a policy known as the "shift to the South, shift to the West" policy. On the political, economic and social fronts, there is greater movement among Latin American countries to develop closer relations with the ASEAN countries. And the ASEAN countries are cooperating more closely with Japan. I do not think that this is the same idea once proposed by certain people in the 1930s, which was said to be aimed at joining the forces of the countries in this region. But we should give attention to the fact that cooperation among these countries has increased and that relations have improved. I think that Mr Ohira was trying to express his views by putting forth this concept. It is known that some Thais oppose this idea because they are afraid that this will lead to the creation of alliances in this region. I would like to state that, concerning the Pacific Basin concept, that is not what we have in mind. But I can understand this concern.

SU ANAKHOT: At the beginning of the 1970s, there was a movement against Japanese goods in the ASEAN countries, particularly in Indonesia, Thailand and Malaysia. At that time, Mr Tanaka announced that Japan would promote greater cooperation between Japan and ASEAN. After that, Mr Fukuda visited ASEAN and established major cooperative projects between Japan and ASEAN with funds totalling \$1 billion. Mr Ohira spoke about the Pacific Basin. And this was followed by the visits by Mr Susuki and Mr Nakasone, who spoke about expanding Japanese markets for ASEAN goods and solving the trade deficit problem with Thailand. The Thai people and the Thai government are greatly alarmed by the trade deficit, and there has been much talk on how to solve this problem. Recently, a Malaysian official said that Japan has reduced the tax barrier only 1 percent. Thus, it seems as if Japan is not keeping the promise made by Mr Nakasone. What is your view on this?

Mr Watanabe: As for the balance of trade problem, that was a common problem of Japan. Until the 1970s, Japan suffered a serious balance of trade deficit with many countries. Thus, we had to improve our competitive situation and our production efficiency and increase exports as much as possible. In that period, we were frequently told that the trade deficit problem should be solved through joint negotiations at the international level rather than through bilateral relations. This was a claim frequently made by the United States, which was one of Japan's new trading partners. Now, the situation is just the reverse. But we have learned ways to solve this problem. That is, [the problem can be solved by] improving competition of goods and taking advantage of every opportunity to export Japanese goods. That is what we did in the past. At present, we are trying to cooperate on a broad front with the ASEAN countries. In the case of Thailand, we have supported the Thai government's attempts to increase productivity by establishing the Thai Trade Promotion Center, which will start operations this March. And construction on the Trade Training Center building has almost been completed. But this just concerns a building. We will also promote technical cooperation. We will send experts to provide training and send Thai officials to Japan for training. If you mention Japan's market problems, many people will focus on the trade problems that remain, but they will not see the broader opportunities that exist now. We have now begun importing more goods from abroad, particularly agricultural products. The number of Japanese farmers has declined, and the amount of land available for agricultural activities has decreased continually. We have increased our purchases of agricultural products. Thus, Thailand has a chance to increase exports. However, there is still a gap between the goods that Thailand produces and the things that Japan wants to purchase. If there was an understanding concerning this.... What Thailand needs is marketing data. And to promote exports to Japan, Thailand must improve its production standards. This is something about which both Thailand and Japan have a good understanding. At present, there is a gap. The Thai government is forming a committee to monitor these problems. This is a very good trend since we will be able to promote cooperation on this front and both our exports and imports will increase.

The trade problem is just one problem in relations between Japan and Thailand. As you know, in allocating aid, Thailand is a major beneficiary of ODA [Overseas Development Association] from Japan. And Japan is the one that provides the most money to ODA. On the political front, Japan and Thailand share the same views on many problems, including the Kampuchean problem, the problem of North-South negotiations and other matters. I would like to repeat that the trade problem is just one problem, and the negotiations to solve this problem are proceeding much better than was the case 10 years ago.

SU ANAKHOT: One of the problems that you said was one of the causes of the gap between Thai exports and the needs of Japanese markets concerned the quality of Thai goods. Does this mean that during the past 10 years, Thai merchants and producers have taken the wrong road?

Mr Watanabe: No. I was referring only to agricultural products. But concerning industrial goods, cooperation on this front, particularly cooperation at the private level, has achieved great success. However, concerning the goods produced from the joint Thai-Japanese investment projects, most of the goods are used to satisfy domestic market demand in Thailand. For example, recently, a project of the Telephone Organization of Thailand was turned over to the TOT. A Japanese company was the general contractor on this project. Approximately 75 percent of the materials that this contracting company used were materials produced in Thailand from plants that had been joint Thai-Japanese investment projects. These goods had very high standards, and the Japanese contractor had confidence in these materials. Thus, it can be said that these things will form a basis for promoting greater cooperation between Thailand and Japan.

As for agricultural products, not much of an effort has been made. I think that we should take a greater interest in the agricultural sector.

SU ANAKHOT: As you have heard, one of Thailand's great hopes now is the Eastern Seaboard Development Project. In particular, since General Prem became prime minister, we have tried to push this project forward. But it requires a huge sum of money and also aid from abroad. What is the Japanese government's policy on supporting this project, particularly the petrochemical project?

Mr Watanabe: I think that it is a multi-purpose project. That is, many local resources will be used to achieve the greatest results possible, such as natural gas. And an attempt will be made to disperse industry from the central region to the provinces in order to increase employment in the rural areas. If good results are achieved, this will be in accord with the economic development objectives of the Thai government. Concerning this, Japan will cooperate with the Thai government in accord with this project. Actually, Japanese experts have been invited to come study things and make recommendations concerning this project. Thailand has asked Japan to consider increasing the Yen loan. At the beginning, we promised that we would study the feasibility of the project in order

to use this as a basis for increasing the yen loan. In short, we are happy to participate in this project in order to help the Thai government reach its objectives. Second, we took part in formulating the plans. If we are asked to participate in the next round of activities, we will be glad to do so.

SU ANAKHOT: When Mr Phichai Rattanakun, the deputy prime minister, went to visit South Korea, there were reports that South Korea was interested in building a shipyard along the eastern seaboard. Does Japan have any such projects in mind?

Mr Watanabe: I think that that depends on what part the Thai government wants Japan to play in this project. Japan has no intention of applying pressure to have a particular project built. If Thailand wants us to do something, we will do that. That is the attitude of the Japanese government. We have listened to the requests by Thailand during the various stages of development of this project. To date, we have received many requests, and these are being considered. I have to say that it would not be proper for me to disclose what requests we have received from the Thai government. If you want to know, you must ask Thai officials. There have been newspaper reports concerning certain projects, such as a chemical fertilizer project and the construction of a port, and [the reports have said that] Japan has been asked to conduct studies in order to obtain loans. Neither side has denied these reports. However, it is up to Thai officials to disclose such matters to the mass media.

SU ANAKHOT: If both Thailand and Japan feel that this project holds such great promise, why hasn't Japan submitted any recommendations?

Mr Watanabe: This is something that requires a clear explanation. You must separate the role played by the Japanese government from private-sector business activities. As for the Japanese government, our policy is to cooperate with the Thai government in preserving the peace and sustaining growth. Recently, the private sector has put forward many ideas and suggestions--which have frequently made the headlines here--for promoting technical and financial cooperation. But concerning the role of the government, you are asking me in my position as a representative of the government, and the two are separate.

SU ANAKHOT: There is one project that concerns a soft loan from Japan. Minister [of communications] Samak Sunthonwet wants to end this. Has this made Japan unhappy?

Mr Watanabe: Concerning this, I have to repeat that the Japanese government will act in accord with the request of the Thai government. As for the matter that you asked about, the Thai government has requested a soft loan. We have acted on this request, and we have reached an agreement with the Thai government to the effect that we will do things in accord with this project based on the principles enumerated. This was the

agreement, about which there have been reports in the press and about which you said that some want to cancel the agreement. But to date, the Thai government has not sent an official note to us asking that it be cancelled. Thus, our present position is to do things in accord with this agreement since the Thai government has not issued an official announcement. Concerning this, we feel that this is an internal dispute within the Thai government and not a dispute with Japan.

SU AKAKHOT: But there have been complaints that the loan carries many conditions.

Mr Watanabe: This is one reason why I agreed to this interview with you. Concerning the various conditions, if you compare this loan with loans from other countries, there are fewer conditions attached to our loan, and they are not as strict as those of other countries. You have to go and check things carefully for yourself. Our loan was given in response to a request by the Thai government. Regardless of how the loan is allocated, Japan requires that domestic producers and assemblers be given a chance to make beneficial use of the loan money. We have never stipulated that Japanese contractors must be used. We have always given opportunities to Thai assemblers. Concerning this soft loan that you have mentioned, we have given opportunities to Thai assemblers. If you compare our conditions to those of other countries, you will find that our conditions are very favorable to Thailand.

SU ANAKHOT: Since Thailand is a frontline country, we are very concerned about the buildup of Soviet military forces in this region. We are concerned about the deployment of SS-20 missiles in Asia, which covers Southeast Asia, too. At the same time, we are concerned about the buildup of the Japanese defense forces. Based on the lessons of the Second World War and the scandalous matter concerning Japanese history books, we are afraid that Japanese education will instill a love for militarism in Japanese youths. What is your view on this?

Mr Watanabe: First of all, we, too, are greatly concerned about the buildup of Soviet military power, particularly in Asia. We feel that, at the very least, an attempt should be made to maintain our self-defense capabilities in order to preserve peace and maintain Japan's security under the cooperative program with the United States. That is our policy. At the same time, another of our basic policies is to maintain stable relations with the Soviet Union. It is not our policy to be the enemy of anyone. But at the same time, the Soviet Union is greatly strengthening its military forces along Japan's northern border. And there is evidence that the Soviet Union is deeply involved in the events in Afghanistan and Poland. We have discussed matters with the Western great powers concerning what our attitude should be. However, as for relations with the Soviet Union, we are trying to maintain smooth relations.

As for the matter of strengthening Japan's self-defense forces, we are trying to maintain the minimum level of readiness necessary to preserve peace and maintain the security of Japan and the world. Another objective is to get the United States and the Soviet Union to negotiate with each other. It is our hope that both sides will soon be able to reach an agreement on reducing nuclear weapons.

Concerning your primary question on what our defense policy will be in the future, the answer is that this depends on the international political situation and on whether or not the Soviet Union changes its policy on stationing military forces to the north of us. It depends on what happens in Afghanistan, or what happens in the negotiations among the great powers in the Western world and on whether any progress is made in a mutual reduction of weapons by the great powers. Our policies depend on these international political factors. But at present, our intention is to maintain our level of effort to improve our self-defense capabilities. At the same time, we have announced that the budget for this will not exceed 1 percent of our GNP, which is not a very large sum. Recently, Mr Nakasone repeated that he has no intention of changing this figure. That is our policy. But concerning whether this policy will change in the long term, I can only say that it depends on the international political situation. But the Japanese government fully intends to keep the budget for this under 1 percent of the GNP. Obviously, the actual amount also depends on the expansion of Japan's GNP. Concerning doubts or fears about militaristic tendencies among Japanese officials, I want to state immediately that no attempt is being made to strengthen our self-defense forces as was the case in the past. There is no trend toward militaristic feelings. We are just doing things in accord with the realities of world politics and Japan's responsibilities. It is felt that with our great economic power, we should play a role in this, too, even if we are not really happy about having military power.

Concerning the matter of Japanese history textbooks, I would like to say that this was just a misunderstanding. Japanese officials considered this carefully and did several things in order to improve our social studies textbooks. I wish you could inspect those textbooks for yourself and then look at the arguments of both sides. Those critical of us certainly have their own reasons. But the Japanese government has taken various actions in order to improve the contents of the textbooks.

SU ANAKHOT: The U.S. government of President Reagan is putting pressure on the Japanese government to increase its defense spending. At the same time, the Soviet Union is trying to involve itself more in Asian affairs by reaching various agreements with Vietnam. Vietnam has given the Soviet Union permission to use the naval base at Cam Ranh Bay [in Vietnam] and at Kompong Som in Kampuchea. Looking at all the actions of the various sides that are playing a role in this region, we can conclude that Japan is being pressured to change its military policy.



Mr Watanabe: As I said above, the government wants to limit military expenditures to no more than 1 percent of the GNP. That is the promise made by the Japanese government to the Japanese people. There is a strong feeling among the Japanese people concerning preserving peace in the wake of what happened at Hiroshima and Nagasaki and in the wake of the other bitter experiences after the Second World War. The desire to preserve peace is still strong in the hearts of Japanese officials. But if the world political situation changes, matters will have to be reconsidered. However, we must respond to the feelings of the Japanese people, who do not want us to become a military state ever again. We will not risk getting into a nuclear war by involving ourselves in the conflicts of war. This is something that will be taken into consideration when stipulating Japan's defense policy in the future.

SU ANAKHOT: One final question. Last year, there were reports that Japan had sent military technology to the United States. In the future, is there a chance that Japan and Thailand will engage in such an exchange of military technology?

Mr Watanabe: No. I do not see any chance of this happening at the present time. This exchange of military technology was an agreement between Japan and the United States based on our mutual security pact, which has been in effect for many years now. Japan is under the U.S. security umbrella. Japan should play as great a part as it can in maintaining security. At the same time, the Japanese constitution prohibits Japan from involving itself in military affairs abroad. This has been interpreted as meaning that Japan must not export weapons or weapons technology. There were arguments about whether sending military technology to the United States violates the constitution. But after prolonged discussions, permission to do this was granted. Thus, concerning your question of whether military technology will be sent to other countries besides countries such as the United States with which we have security agreements, I do not think that there is any chance of that happening.

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CSO: 4207/121

## ECONOMIC

### PUBLIC SECTOR UNIONS SEEK ADVICE ON WAGE BIDS

OW200227 Tokyo KYODO in English 0210 GMT 20 Apr 84

[Text] Tokyo, 20 April, KYODO--Eight state-run public corporation workers unions Friday consulted an independent labor relations commission for arbitration of a wage hike offer by management.

Applying to the public corporation and National Enterprise Labor Relations (KOROI) for arbitration were seven unions of the Council of Public Corporation Workers Union (Korokyo) and one union of the National Federation of Industrial Organization (Shinsanbetsu).

The unions, including two major unions of the Japanese national railways, applied for arbitration after giving up independent bargaining with management.

Another KOROI member union affiliated with the General Council of Trade Unions of Japan (SOHYO) and other unions affiliated with the Japanese Confederation of Labor (DOMEI) were also to apply for arbitration later Friday and Saturday.

With the application, the arena for this springs labor offensive for higher wages shifted to KOROI.

KOROI is expected to start full-fledged arbitration work next week.

The management of seven public corporations and national enterprises offered Thursday night an average 2.8 percent or 5,967 yen hike in monthly wages this year to their employees.

The offered wage hike rate was the same as that offered last year and the lowest offered to the unions.

Union leaders were to meet KOROI Chairman Kichiemon Ishikawa Friday noon to ask him to make fair recommendations over the wage issues in line with private sector wage hike offers expected to average about 4.5 percent this year.

CSO: 4100/112

## ECONOMIC

### BRIEFS

YEN CREDIT TO INDIA--Tokyo, 20 Apr, KYODO--The Japanese Government has decided to extend a 34.7 billion yen (154.22 million dollars) credit to India for fiscal 1984 starting April 1, the Foreign Ministry said Friday. The credit comprises 15 billion yen (66.7 million dollars) for a fertilizer plant, 10.2 billion yen (45.3 million dollars) for an ammonium sulphate plant, 4.1 billion yen (18.22 million dollars) for a nitrogenous fertilizer plant and 5.4 billion yen (24 million dollars) for expansion of electric communications systems, officials said. [Text] [OW230209 Tokyo KYODO in English 0647 GMT 20 Apr 84]

FISHERY TALKS WITH USSR--Tokyo, April 23, KYODO--Fumio Watanabe, director general of the Fisheries Agency, leaves for Moscow Tuesday to break the deadlock in the current fishery talks with the Soviet Union, aimed at fixing this year's salmon catch quotas in the northwestern Pacific waters. The negotiations began in Moscow last Friday, 10 days later than in normal years, and the Japanese fear that agreement may not come in time for the start of the fishing season May 1. The talks ran into an impasse over how much salmon Japanese fishermen should be allowed to catch inside the Soviet Union's 200-mile economic zone. Japan has asked for a quota of 42,500 tons, or 2,500 tons more than last year, while the Soviet Union has offered 35,000 tons, according to the Fisheries Agency. Watanabe told reporters Monday that he will carry with him a personal letter addressed to Soviet Fisheries Minister Vladimir Kamentsev by his Japanese counterpart, Shinjiro Yamamura. [Text] [OW231001 Tokyo KYODO in English 0804 GMT 23 Apr 84]

PRC ALUMINUM TECHNOLOGY AID--Tokyo, 26 Mar KYODO--Two Mitsubishi group firms have concluded a technical assistance agreement with China National Technical Import Corp to extend aluminum refining know-how to China, Mitsubishi officials said Monday. Mitsubishi Light Metal Industries Ltd and Ryoka Light Metal Industries Ltd have received export sanctions from the Japanese Government to help increase production facilities at an aluminum refining factory in Ningxia Hui Autonomous Region over a period of 4 years. The two firms will mainly extend know-how of electrolysis and electrodes, send Japanese technicians and train Chinese workers in the use of software, the officials said. The two firms, affiliated with Mitsubishi Chemical Industries Ltd, have previously provided information on aluminum refining techniques to Martin Marietta Corp of the U.S. and other foreign firms but this is the first technical agreement with China. [Text] [OW260419 Tokyo KYODO in English 0219 GMT 26 Mar 84]

PLANT WITHOUT MANPOWER--Tsukuba, Ibaraki Pref, 9 April KYODO--a government institute Monday started operation of a test plant producing varieties of industrial products in small quantities without manpower. The Agency of Industrial Science and Technology, attached to the Ministry of International Trade and Industry, said it has been conducting research and development on the test plant since 1977. About 70 percent of the machineries are produced in small quantities at present, but they have not yet been fully automated. Agency officials said the plant has twice the producing capacity of equivalent conventional plants and is therefore highly cost effective. The plant has a multiple lathe system applicable to various products as well as an automatically-operated multiple knock-down system. [Text] [OW091155 Tokyo KYODO in English 1136 GMT 9 Apr 84]

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